

FLETCHER & SIPPEL LLC

ATTORNEYS AT LAW

29 North Wacker Drive
Suite 920
Chicago, Illinois 60606-2832

THOMAS J. LITWILER
(312) 252-1500
tlitwiler@fletcher-sippel.com

Phone (312) 252-1500
Fax (312) 252-2400
www.fletcher-sippel.com

2287L

July 10, 2008

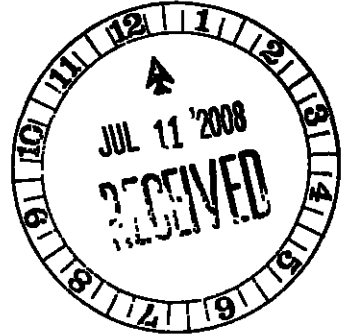
VIA FEDERAL EXPRESS

Ms. Anne K. Quinlan
Acting Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20024

FEE RECEIVED

JUL 11 2008

**SURFACE
TRANSPORTATION BOARD**



Re: **Finance Docket No. 35100**
Waterloo Railway Company -- Intra-Corporate Family
Acquisition Exemption -- Line of Illinois Central Railroad Company

Dear Secretary Williams:

Enclosed for filing in the above-captioned proceeding are an original and ten copies of a **Verified Notice of Exemption Pursuant to 49 C.F.R. § 1180.2(d)(3)**, dated July 10, 2008. A check in the amount of \$1,200, representing the appropriate fee for this filing, is attached.

One extra copy of this transmittal letter and of the Notice also are enclosed. I would request that you date-stamp those copies to show receipt of this filing and return them to me in the provided envelope.

If you have any questions regarding this filing, please feel free to contact me. Thank you for your assistance on this matter. Kind regards.

FILED

JUL 11 2008

**SURFACE
TRANSPORTATION BOARD**
TJL:tl

Enclosures

Respectfully submitted,

Thomas J. Litwiler
Attorney for Waterloo Railway Company

ENTERED
Office of Proceedings

JUL 11 2008

**Part of
Public Record**

ORIGINAL

BEFORE THE
SURFACE TRANSPORTATION BOARD



222876

FINANCE DOCKET NO 35100

WATERLOO RAILWAY COMPANY
-- INTRA-CORPORATE FAMILY ACQUISITION EXEMPTION --
LINE OF ILLINOIS CENTRAL RAILROAD COMPANY

FEE RECEIVED

JUL 11 2008

SURFACE
TRANSPORTATION BOARD

**VERIFIED NOTICE OF EXEMPTION
PURSUANT TO 49 C.F.R. § 1180.2(d)(3)**

FILED

JUL 11 2008

SURFACE
TRANSPORTATION BOARD

ENTERED
Office of Proceedings

JUL 11 2008

Part of
Public Record

Thomas J. Healey
Counsel - Regulatory
CN
17641 South Ashland Avenue
Homewood, Illinois 60430
(708) 332-4381

Thomas J. Litwiler
Fletcher & Sippel LLC
29 North Wacker Drive
Suite 920
Chicago, Illinois 60606-2832
(312) 252-1500

**ATTORNEYS FOR WATERLOO
RAILWAY COMPANY**

Dated July 10, 2008

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 35100

WATERLOO RAILWAY COMPANY
-- INTRA-CORPORATE FAMILY ACQUISITION EXEMPTION --
LINE OF ILLINOIS CENTRAL RAILROAD COMPANY



VERIFIED NOTICE OF EXEMPTION
PURSUANT TO 49 C.F.R. § 1180.2(d)(3)

Waterloo Railway Company ("Waterloo"), a common carrier by rail, hereby files this verified notice of exemption under 49 C.F.R. § 1180.2(d)(3) for the intra-corporate family acquisition of a line of railroad of Illinois Central Railroad Company ("IC") east of Brookhaven, Mississippi (the "Subject Line"). Waterloo is a wholly-owned direct subsidiary of IC, which in turn is indirectly controlled by Canadian National Railway Company ("CN"). IC will retain overhead and local trackage rights over the Subject Line to serve any future industries on the line and to access IC's other rail lines in the Brookhaven area.

The proposed transaction within a corporate family will not adversely affect the level of any existing rail service and will not result in significant operational changes or any change in the competitive balance with carriers outside of the CN corporate family.

In accordance with the requirements of 49 C.F.R. § 1180.4(g), Waterloo submits the following information.

Description of the Proposed Transaction: 49 C.F.R. § 1180.6(a)(1)(i)

Waterloo is a Class III common carrier by rail which owns approximately 11 miles of rail line between Water Valley Junction, Mississippi and Bruce Junction, Mississippi.

(the "Water Valley Line"). See Waterloo Railroad Company and Illinois Central Gulf Railroad Company -- Exchange of Properties, Finance Docket No. 30716 (ICC served September 4, 1985). Waterloo also holds a freight operating easement on a rail line in Maine. Waterloo Railway Company -- Acquisition Exemption -- Bangor and Aroostook Railroad Company and Van Buren Bridge Company, Finance Docket No. 34015 (STB served March 21, 2001), revocation denied, 6 S.T.B. 265 (2002). Waterloo expects shortly to undertake abandonment or sale of the Water Valley Line.

IC is a Class I common carrier by rail which owns and operates approximately 2,500 miles of rail line in Illinois, Iowa, Kentucky, Tennessee, Alabama, Mississippi and Louisiana. IC is a wholly-owned indirect subsidiary of CN, which operates an approximately 20,250-mile rail system in sixteen U.S. states and eight provinces in the Dominion of Canada. See Canadian National Ry. Co. -- Control -- Illinois Central Corp., 4 S.T.B. 122 (1999); see also Canadian National Ry. Co. -- Control -- Wisconsin Central Transp. Corp., 5 S.T.B. 890 (2001); Canadian National Railway Company and Grand Trunk Corporation -- Control -- Duluth, Missabe and Iron Range Railway Company, et al., Finance Docket No. 34424 (STB served April 9, 2004).¹ CN's U.S. railroad subsidiaries, including IC and Waterloo, report to the Board on a consolidated basis under the name Grand Trunk Corporation.

Pursuant to a Purchase and Sale Agreement to be entered into by Waterloo and IC, Waterloo will acquire from IC the Subject Line extending from milepost 72.48 near Woolworth, Mississippi to milepost 76.8 near Carlos, Mississippi, a distance of approximately 4.32 miles. IC

¹ CN has proposed to acquire most of the rail operations of the Elgin, Joliet & Eastern Railway Company ("EJ&E"), a Chicago-area switching and terminal carrier. Finance Docket No. 35087, Canadian National Railway Company and Grand Trunk Corporation -- Control -- EJ&E West Company. The intra-corporate family acquisition proposed in this notice is unrelated to the CN-EJ&E transaction, and will proceed independently of that transaction.

will retain local and overhead trackage rights on the Subject Line, and no changes in present rail service and operations will occur.² IC will provide service to any future industries that may locate on the Subject Line, and will continue to use the Subject Line to access IC's lines extending east toward Wanilla and west toward Brookhaven.

The proposed transaction will result simply in the transfer of ownership of a short rail line from one CN-controlled subsidiary to another. The sale of the Subject Line by IC to Waterloo is a transaction within a corporate family that will not result in adverse changes in service levels, significant operational changes or any change in the competitive balance between IC/Waterloo and carriers outside of their corporate family

The full name and address of the applicant carrier herein is as follows:

Waterloo Railway Company
17641 South Ashland Avenue
Homewood, Illinois 60430
(708) 332-3500

Any questions concerning this Notice should be sent to Waterloo's representative at the following address:

Thomas J Litwiler
Fletcher & Sippel LLC
29 North Wacker Drive
Suite 920
Chicago, Illinois 60606-2832
(312) 252-1500

Proposed Time Schedule for Consummation: 49 C.F.R. § 1180.6(a)(1)(ii)

Waterloo intends to consummate the proposed acquisition transaction on or shortly after August 11, 2008.

² IC's retention of trackage rights on the Subject Line does not require separate Board authorization. See BNSF Ry. Co. – Trackage Rights – Portland & Western R., Inc., 6 S.T.B. 507 (2003).

Purpose Sought to Be Accomplished: 49 C.F.R. § 1180.6(a)(1)(iii)

The proposed acquisition would maintain Waterloo's existing asset portfolio upon any disposition of the Water Valley Line, and will facilitate freight car ownership and management functions performed by Waterloo within the CN system.

States in Which Applicant's Property is Located: 49 C.F.R. § 1180.6(a)(5)

Waterloo owns railroad property in the states of Mississippi and Maine.

Map - Exhibit 1: 49 C.F.R. § 1180.6(a)(6)

A map of the Subject Line and other rail lines in the area is attached hereto as Exhibit 1

Agreement - Exhibit 2: 49 C.F.R. § 1180.6(a)(7)(ii)

A draft of the proposed Purchase and Sale Agreement to be executed by Waterloo and IC is attached hereto as Exhibit 2.

Labor Protective Conditions: 49 C.F.R. § 1180.4(g)(1)(i)


As a condition to this exemption, Waterloo does not object to imposition of the employee protective conditions established in New York Dock Ry. – Control – Brooklyn Eastern Term Dist., 360 I.C.C. 60 (1979).

Environmental and Historic Preservation Matters: 49 C.F.R. § 1180.4(g)(3)

Under 49 C.F.R. § 1105.6(c)(2), Waterloo's proposed acquisition of the Subject Line is exempt from environmental reporting requirements. The proposed acquisition will not result in significant changes in carrier operations, i.e., changes that exceed the thresholds of 49 C.F.R. § 1105.7(e)(4) or (5).

Under 49 C.F.R. § 1105 8(b)(1), the proposed acquisition of the Subject Line by Waterloo also is exempt from historic preservation reporting requirements. Waterloo's acquisition of the Subject Line, and IC's retention of local and overhead trackage on the line, is for the purpose of continued rail operations. Further Board approval would be required as a prerequisite to any abandonment or discontinuance of service, and there are no plans in connection with this transaction to dispose of or alter properties subject to the Board's jurisdiction that are 50 years old or older.

Respectfully submitted,

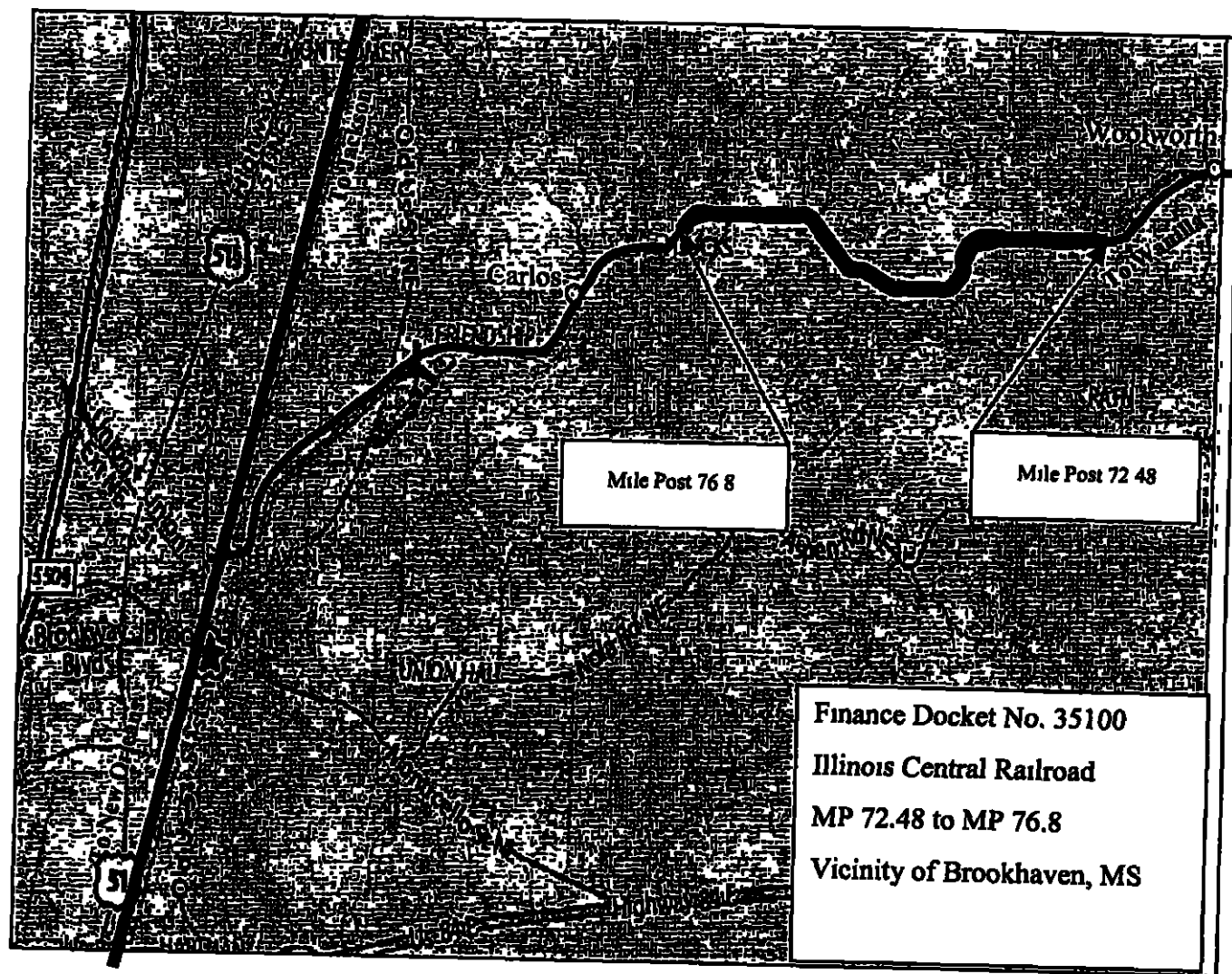
By: 

Thomas J. Healey
Counsel - Regulatory
CN
17641 South Ashland Avenue
Homewood, Illinois 60430
(708) 332-4381

Thomas J. Litwiler
Fletcher & Sippel LLC
29 North Wacker Drive
Suite 920
Chicago, Illinois 60606-2832
(312) 252-1500

**ATTORNEYS FOR WATERLOO
RAILWAY COMPANY**

Dated: July 10, 2008



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PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement ("Agreement") dated this ____ day of _____, 2008, by and between ILLINOIS CENTRAL RAILROAD COMPANY, an Illinois corporation ("Seller") and WATERLOO RAILWAY COMPANY, a Delaware corporation ("Buyer")

WHEREAS, Seller owns or has an interest in certain right-of-way and associated property and track/railroad facilities located thereon between Milepost MH 72 48 near Woolworth, Mississippi and Milepost MH 76 8 near Carlos, Mississippi, a distance of approximately 4.32 miles (the "Line");

WHEREAS, Buyer desires to purchase the Seller's interests, if any, in and to the aforesaid Line's right-of-way (hereinafter "Real Property") and the track/railroad facilities located thereon (hereinafter "Rail Assets") (collectively the "Subject Property"), subject to the matters set forth herein and certain trackage rights to be retained by Seller over the Subject property, all as more particularly described herein; and

WHEREAS, Seller is willing to sell its rights, if any, in and to the Subject Property to Buyer, but only under the terms and conditions stated herein

NOW, THEREFORE, Seller and Buyer, intending to be legally bound, hereby agree as follows:

1. **Transactions.** Subject to the terms and conditions hereof, at Closing, Seller shall sell, transfer, assign and convey to Buyer and Buyer shall purchase from Seller on an "as is, where is" basis, all right, title and interest of Seller, if any, in or to the Subject Property as more particularly described in Section 3 herein, subject to the matters set forth in Section 7 hereto, by a duly executed quitclaim deed in the form of Exhibit A hereto (the "Deed") and a duly executed bill of sale substantially in the form of Exhibit B hereto ("Bill of Sale").

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2. Requisite Authorities.

(A) Seller hereby represents and warrants to Buyer that Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Illinois. Buyer hereby represents and warrants to Seller that Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(B) At Closing, Seller shall have the requisite authority to enter into this Agreement and to convey its interests, if any, in and to the Subject Property to Buyer. At Closing, Buyer shall have the requisite authority to enter into this Agreement and to acquire the Seller's interests, if any, in and to the Subject Property in its own name and for its own account, and to assume the contracts, agreements, leases and licenses identified on Exhibit C hereto (the "Contracts").

3. Description of Property. The property to be purchased by Buyer consists of Seller's right-of-way and associated property between Milepost MH 72.48 near Woolworth, Mississippi and Milepost MH 76.8 near Carlos, Mississippi, as shown on Exhibit D and as more specifically described on Exhibit A attached hereto. The Subject Property shall include any and all tracks, rails, ties, switches, crossings, bridges, trestles, culverts, buildings and fixtures thereon, signals, crossing protection devices, communication lines and poles and articles of personal property that are affixed to the land between the above-described points as of the date of this Agreement. Excluded from the Subject Property are any and all railroad rolling stock, locomotives, automobiles, trucks, automotive equipment, machinery, office and computer equipment, radios, furniture, tools, inventories, materials and supplies, located on the Subject Property as of the date of this Agreement or on the Closing Date (the "Excluded Assets")

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Within ninety (90) days after Closing, Seller shall remove from the Subject Property all Excluded Assets.

4. Purchase Price. For the conveyance of the Seller's interest, if any, in the Subject Property to Buyer, Buyer shall pay to Seller the sum of Ten and No/100 Dollars (\$10.00). Subject to the terms and conditions contained in this Agreement, Buyer shall deliver the aforesaid sum to Seller in immediately available United States funds at Closing.

5. Allocation of Purchase Price.

(A) The purchase price for the acquisition of the Subject Property by Buyer (the "Purchase Price") shall be allocated in compliance with Section 1060 of the Internal Revenue Code of 1986, as amended as follows: (i) Five and No/100 Dollars (\$5.00) to real property, and (ii) Five and No/100 Dollars (\$5.00) to track materials and other personal property. Seller and Buyer hereby agree that such allocation shall be conclusive and binding on each of them for purposes of federal and, where applicable, state and local tax returns and that they will not voluntarily take any position inconsistent therewith. Seller and Buyer hereby agree to prepare and timely file all applicable Internal Revenue Service ("IRS") and other governmental authority forms, to cooperate with each other in the preparation of such forms, and to furnish each other with a copy of such forms prepared in draft, within a reasonable period prior to the filing due date thereof. In the event of an adjustment to the Purchase Price, either before or after Closing, the parties agree in good faith to adjust the allocation of the Purchase Price and to prepare and timely file all applicable IRS forms.

(B) If a tax authority examines the transactions described or contemplated herein or any related returns or reports of the parties, and thereafter proposes any adjustments or assessments of tax deficiencies based upon any theory of taxation or position inconsistent with

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this Agreement, the party receiving notice of such adjustment or assessment ("Adjustment Party") shall notify the other party to this Agreement ("Notice Party"), in writing, within fifteen (15) days after such event and keep the Notice Party informed of all subsequent administrative or judicial proceedings until the matter is finally resolved. The parties shall provide reasonable cooperation and assistance to each other to minimize any costs or expenses associated with any tax examinations and any tax administrative or judicial proceedings, including providing copies of substantiating documents or affidavits; provided, however, that such cooperation shall not impose an undue burden on the cooperating party and that steps reasonably satisfactory to the cooperating party have been taken to maintain confidentiality of any documents or affidavits provided hereunder. Notwithstanding the foregoing, a Notice Party receiving notice of an adjustment or assessment from an Adjustment Party may file an appropriate claim with the tax authority issuing such adjustment or assessment in order to preserve its rights to any tax benefits to which such Notice Party might be entitled if the theory of taxation or the position inconsistent with this Agreement is sustained. The Notice Party will not take any action with respect to such claim other than as necessary to preserve its rights under such claim until after the adjustment or assessment has been finally determined.

6. Governmental Authority. Buyer shall be responsible for obtaining any necessary authority from or approval of any governmental authority with jurisdiction over Buyer's acquisition of the Subject Property. Not later than September 30, 2008, Buyer shall file a Notice of Exemption or a Petition for Exemption from the Surface Transportation Board as required for Buyer's acquisition of the Subject Property. Buyer shall be solely responsible for any filing fees with respect to its acquisition of the Subject Property. Seller shall reasonably cooperate with Buyer in obtaining any such approval or exemption.

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7. Conveyance.

(A) Conveyance of the Seller's interest, if any, in and to the Subject Property to Buyer shall be made by quitclaim deed substantially in the form of Exhibit A hereto, without any warranty, express or implied, other than that the conveyance is free and clear of all mortgages, deeds of trust and other like financial liens, and shall be made subject to.

- (1) Standard exceptions of a Title Company in its title policies issued in the State of Mississippi,
- (2) Special taxes or assessments for improvements not yet completed, if any,
- (3) Installments not due at the date hereof of any special tax or assessment for improvements completed, if any;
- (4) General taxes, if any, for the tax year prior to the year in which the Deed is delivered and subsequent years;
- (5) Building, building lines and use or occupancy restrictions, zoning and building laws or ordinances, and other laws, ordinances, requirements, limitations, restrictions, regulations and codes which are or may be imposed upon the Subject Property by any governmental authority having jurisdiction thereof;
- (6) Roads and highways, if any;
- (7) Judgment liens; however, any judgment against Seller which may appear of record as a lien against the Subject Property shall be settled and satisfied by Seller if and when it is judicially determined to be finally valid, and Seller shall indemnify Buyer for

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all loss arising out of Seller's failure to have such judgment lien so settled and satisfied. This provision shall survive the Closing and the delivery of the Deed;

- (8) Covenants, conditions and restrictions of record, and recorded licenses and easements;
- (9) Retained Agreements identified on Exhibit E attached hereto and made a part hereof;
- (10) The rights of any owner of the mineral estate in said Subject Property, if any. If, however, it is found that Seller has a mineral right in the Subject Property, such rights will not be retained by Seller but will pass to Buyer by the Deed from Seller as set forth in Section 1 herein;
- (11) Rights of any government agencies, public or quasi-public utilities for the use, maintenance, repair, replacement and reconstruction of existing driveways, roads and highways, conduits, sewers, drains, water mains, fiber optics cables and/or communication systems, gas lines, electric power lines, wires, and other utilities and easements,
- (12) Acts, by through or under Buyer; and
- (13) A reservation by Seller for itself, its successors and assigns, of a perpetual nonexclusive easement, fifteen (15) feet in width, in, over, under, through and along the entire Subject Property, to construct, maintain, operate, use, replace, relocate, renew and/or

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remove, at the sole expense of Seller, a fiber optic communication system consisting of cables, lines or facilities beneath the surface of the Subject Property, together with all ancillary equipment or facilities (both underground and surface), including the right to attach the same to existing bridges or poles on the Subject Property and such surface rights as are necessary to accomplish the same Seller further reserves the right to assign, provided notice of assignment is given to Buyer, said reserved fiber optic easement, rights and facilities (the "Fiber Optic Easement"), in whole or in part, and to lease, license or permit third parties to use the Fiber Optic Easement; provided, however, that the exercise of such rights does not unreasonably interfere with Buyer's safe and efficient use of the Subject Property, or any improvements thereon Grantor shall not perform any work in connection with the construction, reconstruction, repair, operation or maintenance of such fiber optic communication system within twenty-five (25) feet of the centerline of any railroad track located on the property until it shall have given Grantee at least five (5) days' written notice prior to commencing such work The foregoing notice requirements shall not apply in case of emergency, but in such event notice shall be provided as soon as possible. Any such construction shall be subject to the reasonable and customary

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safety procedures required by Buyer for similar construction projects on its railroad.

- (14) A reservation by Seller for itself, its successors and assigns, of perpetual nonexclusive trackage rights across the entire right of way of the Subject Property to operate as a common carrier by rail utilizing overhead and local operating rights, with rights to enter and exit the Subject Property at any location desired by Seller, and with full rights to provide transportation services to any person or party desiring same, in the form of Exhibit F attached hereto.

(B) Each party hereto shall bear and pay any and all costs and expenses for any title inspections, subdivision approvals or surveys required by it. Buyer shall bear and pay any and all costs and expenses for any transfer taxes, fees, stamps, charges, sales and use taxes, and all documentary, recording or filing fees, relating to its acquisition of the Subject Property.

8. Loss, Damage, Destruction or Condemnation of Assets. If between the date of this Agreement and the Closing Date, any Rail Assets are lost, destroyed, condemned or damaged, then, at the option of Seller, the Seller shall cause such Rail Assets to be restored or replaced.

9. Proration of Taxes and Charges. All property taxes, special assessments assessed or payable in respect of the Subject Property shall be prorated, adjusted and apportioned between Buyer and Seller as of the Closing Date.

10. Assignment of Agreements.

(A) No later than fifteen (15) days before Closing, Seller shall make available to Buyer for review the Contracts identified on Exhibit C hereto. Except as noted below, at

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Closing, Seller shall deliver to Buyer and Buyer shall deliver to Seller duly executed counterparts of an Assignment and Assumption Agreement substantially in the form of Exhibit G hereto. Buyer shall be solely responsible for obtaining any necessary third party consents for assignment of the Contracts to Buyer. Any and all prepaid fees, charges, rent or income under any of the Contracts to be assigned to Buyer due or payable prior to the Closing Date and received by Seller shall be retained by Seller

(B) Seller shall retain all interests in those contracts, agreements, leases, and licenses pertaining in whole or in part to the Subject Property identified on Exhibit E (the "Retained Agreements") It is understood by the parties hereto that the Retained Agreements, *inter alia*, may grant or confer to others, not party to this Agreement, rights, interests and privileges in or pertaining to the Subject Property, and that, from and after the Closing Date Buyer shall not cause or suffer any interference with the enjoyment and use of the rights, interests and privileges granted or conferred in the Retained Agreements, and Buyer shall not cause or suffer any breach of any of the Retained Agreements.

(C) In the event that subsequent to Closing, Seller locates any contracts, agreements, leases or licenses which should have been included on Exhibit E but were omitted, Buyer shall accept assignment thereof in the manner provided for in Section 10(A) and the Assignment and Assumption Agreement. Any contracts, agreements, leases or licenses that should have been included on Exhibit E shall be handled in the manner designated for Retained Agreements in Section 10(B) hereof.

(D) Within thirty (30) days after the Closing Date, Seller shall deliver to Buyer the originals of the Contracts together with all original valuation maps, track charts, bridge and other drawings, track and bridge inspection reports, deeds and other similar documents relating

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to the Subject Property in the possession of Seller, provided however that if any such document shall also relate to property retained by Seller, or if Seller does not have the original of any Contract or document, Seller may at its expense provide a legible copy of such document or Contract to Buyer in lieu of the original.

11. Environmental Representation and Indemnity.

(A) Seller shall defend, indemnify and hold harmless Buyer and its officers, agents, employees, lessors, parent corporation, subsidiaries, affiliates, successors, and assigns from all liability, costs, expenses, fines or penalties (collectively, Losses) asserted against, imposed upon or incurred by Buyer, directly or indirectly, by reason of, resulting from, or in connection with any violation of any federal, state or local law, rule, regulation or ordinance controlling air, water, noise, hazardous waste, solid waste, or other pollution or relating to the storage, transport, release, or disposal of hazardous materials, substances, wastes, or other pollutants relating to the Subject Property, when and to the extent such Losses arise out of or are attributable to any occurrence prior to the Closing Date.

(B) Buyer shall defend, indemnify and hold harmless Seller and its officers, agents, employees, lessors, parent corporation, subsidiaries, affiliates, successors, and assigns from all liability, costs, expenses, fines, or penalties (collectively, Losses) asserted against, imposed upon or incurred by Seller, directly or indirectly, by reason of, resulting from, or in connection with any violation of any federal, state, or local law, rule, regulation, or ordinance controlling air, water, noise, hazardous waste, solid waste, or other pollution or relating to the storage, transport, release, or disposal of hazardous materials, substances, wastes, or other pollutants relating to the Subject Property, when and to the extent such Losses arise out of or are attributable to any occurrence on or after the Closing Date.

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12. Waiver of Warranties as to Condition of Subject Property. Buyer acknowledges that Seller has made and will make no representations, warranties, guarantees, statements or information, express or implied, pertaining to the Subject Property, the physical, environmental or other condition thereof, or its merchantability or suitability for any use or purpose whatsoever other than that the Subject Property is sufficient to enable Buyer to conduct rail operations thereon substantially in the same manner that Seller conducts operations on the Subject Property as of the date of this Agreement

13. General Claims Indemnity.

(A) Seller shall defend, indemnify, and hold harmless Buyer, its respective officers, agents and employees, from and against any and all liability, cost and expense arising out of or connected with any personal injury, property loss or damage occurring prior to Closing on or about the Subject Property, except for any such claim, liability, cost or expense arising out of or connected with any action of Buyer, its officers, agents or employees on or about the Subject Property prior to the Closing Date.

(B) Buyer shall defend, indemnify, and hold harmless Seller, its officers, agents and employees, from and against any and all liability, cost and expense arising out of or connected with any personal injury, property loss or damage occurring after Closing on or about the Subject Property, except for any such claim, liability, cost or expense arising out of or connected with any action of Seller, its officers, agents or employees on or about the Subject Property after the Closing Date

(C) Nothing contained in this Section 13 shall be construed as modifying the provisions of Sections 11 or 12 hereof. This Section 13 is not intended to create any obligation by Seller to indemnify Buyer with respect to the physical or environmental condition of the

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Subject Property, or its merchantability or suitability for any use or purpose whatsoever or for any liability, cost or expense arising out of or connected with the exercise of rights granted in Section 11 hereof.

14. Conduct of Rail Business. Except in the ordinary course of business, prior to Closing Seller shall not (i) sell, lease, transfer, or otherwise dispose of any of the Subject Property that has an aggregate book value in excess of Five Thousand Dollars (\$5,000); (ii) replace or substitute rail or any other Rail Asset other than with material of similar kind and quality; or (iii) modify, amend or terminate any Contract (other than associated with renewals in the ordinary course of business on no less favorable terms).

15. Right of First Refusal. In the event that at any time within forty (40) years after the date of this Agreement, Buyer shall desire to sell all or a part of the Subject Property, Buyer shall first give written notice by certified mail of such intention to Seller, which shall have a right of first refusal to repurchase the Subject Property. Seller shall have forty-five (45) days from the date of receipt of such notice in which to advise by certified mail of its intention to repurchase. Seller may give notice of its intention not to repurchase the Subject Property during such forty-five (45) day period. The failure of Seller to notify Buyer of its intention not to repurchase, or the giving of express notice by Seller of its intention not to repurchase, shall release Buyer from any further obligation to Seller, and Buyer may thereafter sell the Subject Property, to any person(s) and upon any term(s) as such party shall decide. The repurchase price of the Subject Property shall be the Net Liquidation Value of the Subject Property, as calculated pursuant to 49 §1152.34(c)(1)(iii) at the time of the exercise of the right of first refusal.

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16. Termination. This Agreement may be terminated prior to the Closing by Seller or Buyer, without further liability or obligation to either of them, in the event (but only in the event) of any of the following:

(A) Claims, litigation or work stoppage shall be threatened or pending in connection with the transactions contemplated by this Agreement

(B) Either an arbitration award or a judgment arising out of any governmental authority's imposition of labor protection conditions on the transactions contemplated in this Agreement imposes any obligation or expense on Seller or Buyer which is unacceptable to that party;

(C) The Closing has not occurred on or before March 31, 2008 for any reason, including a stay of any governmental authority's orders or the issuance of an injunction prohibiting the consummation of the transactions contemplated herein, provided that a party in default hereunder may not utilize its own failure to close as cause for termination; or

(D) A decision by the STB or any other governmental authority with jurisdiction over the transactions contemplated in this Agreement denying authorization or an exemption for Buyer's acquisition of the Subject Property.

17. Closing. Subject to the rights of termination expressly provided in this Agreement, the closing under this Agreement (the "Closing") shall be held at a mutually agreeable location on a mutually agreeable date, but no later than fifteen (15) days after the STB approves or exempts Buyer's acquisition of the Subject Property (the "Closing Date"). The Closing Date may only be extended by the mutual agreement of the parties who recognize that time is of the essence in this Agreement.

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18. Maintenance At the election of Buyer at any time after the Closing Date, Seller shall assume maintenance of all or any portion of the Subject Property, maintaining said property in the same general condition in which it exists on the Closing Date, normal wear and tear excepted, and in compliance with all applicable Federal, State, and local laws, rules and regulations

19. Entire Agreement. This Agreement and the Exhibits hereto shall constitute the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersede all other prior understandings and agreements, both written and oral, between Buyer and Seller with respect to the subject matter of this Agreement. This Agreement may be supplemented, amended or modified at any time and in any and all respects only by an instrument in writing executed by Buyer and Seller.

20. Expenses. Except as otherwise provided herein, any and all expenses incurred by Seller or Buyer in connection with this Agreement and the transactions contemplated hereby shall be borne by the party incurring such expenses Seller and Buyer have not incurred and each agrees that it will not incur any obligation that would result in either or both of the other parties being liable for any brokerage, finder's fee or similar fee in connection with the transactions contemplated hereby

21. Applicable Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Illinois, without regard to its conflicts of laws principles.

22. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. By executing this Agreement in counterparts and sending such executed counterpart to the other parties via facsimile, the sending party intends to be bound by the terms,

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conditions and provisions of this Agreement. The sending party shall provide the other parties with an executed original counterpart of this Agreement within three (3) business days after the facsimile transmission. This Agreement shall not become effective until executed by all parties hereto.

23. Assignment, Survivors and Third Party Beneficiaries. This Agreement shall be binding upon Seller and Buyer and their respective successors and assigns; provided, however, that Buyer shall not assign its respective interests under this Agreement in whole or in part without the prior written consent of Seller, which shall not be unreasonably withheld. The terms and conditions of this Agreement shall survive delivery of the Deed, and whether or not the Deed so states. Subsequent to Closing, this Agreement may not be terminated or rescinded unless mutually agreed to by the parties in writing. Nothing contained in this Agreement is intended nor shall it be construed to confer upon any party other than Seller or Buyer and their respective successors and assigns any right or benefit under or by reason of this Agreement. It is understood that the Subject Property may be conveyed to Buyer at Closing subject to mortgages, deeds of trust or other like financial liens in effect prior to Closing, in which event Seller shall remove or release same within a reasonable time after Closing, not to exceed one hundred eighty (180) days, at no cost or expense to Buyer.

24. Notices. All notices, requests, demands, waivers and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if delivered personally, by mail (certified or registered mail, return receipt requested), by national overnight delivery service or by facsimile transmission (receipt of which is confirmed by transaction report or equivalent thereof):

(a) If to Buyer, to.

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Waterloo Railway Company
17641 South Ashland Avenue
Homewood, Illinois 60430

(b) If to Seller, to

Illinois Central Railroad Company
17641 South Ashland Avenue
Homewood, Illinois 60430
Attention Senior Vice President -United States Region

or to such other person or address as a party shall specify by notice in writing to the other parties. All such notices, requests, demands, waivers and communications shall be deemed to have been received on the date on which so hand-delivered, on the third business day following the date on which so mailed, on the first business day following the date on which sent by national overnight delivery service or on the date on which faxed and confirmed, except for a notice of change of address, which shall be effective only upon actual receipt thereof

25. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be enforceable and valid under applicable law, but should any provision of this Agreement, for any reason, be declared invalid or unenforceable under applicable law, such provision shall be ineffective only to the extent of such invalidity or unenforceability, without invalidating or rendering unenforceable the remainder of such provision or the remaining provisions of this Agreement, which shall remain in full force and effect

26. No Third-Party Beneficiaries. This Agreement is not intended and shall not be deemed to confer upon or give any person except the parties hereto and their respective successors and permitted assigns any remedy, claim, liability, reimbursement, cause of action or other right under or by reason of this Agreement.

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27. Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement

28. Incorporation of Exhibits. The Exhibits attached to this Agreement are incorporated herein by reference and made a part hereof.

29. Strict Construction. The language used in this Agreement shall be deemed the language chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against any party.

IN WITNESS WHEREOF, the parties hereto, by their duly authorized representatives, have executed and delivered this Purchase and Sale Agreement as of the day and year first above written

ILLINOIS CENTRAL RAILROAD COMPANY

By _____

Name: _____

Title _____

WATERLOO RAILWAY COMPANY

By: _____

Name _____

Title _____

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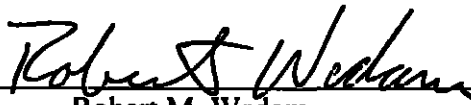
EXHIBITS

Exhibit A	Quitclaim Deed
Exhibit B	Bill of Sale
Exhibit C	Contracts
Exhibit D	Map
Exhibit E	Retained Agreements
Exhibit F	Trackage Rights Agreement
Exhibit G	Assignment and Assumption Agreement

VERIFICATION

State of Illinois)
) SS
County of Cook)

Robert M Wedam, being duly sworn, deposes and says that he is Senior Manager of Network Strategies of Waterloo Railway Company, that he has read the foregoing Notice of Exemption and knows the facts asserted therein, and that the same are true as stated


Robert M Wedam

SUBSCRIBED AND SWORN TO
before me this 3rd day
of July, 2008


Notary Public

My Commission expires August 28, 2009

